

OVERVIEW OF UMHLABUYALINGANA MUNICIPAL AREA



A. BACKGROUND

Umhlabuyalingana Local Municipality is one of the five local Municipalities under the jurisdiction of uMkhanyakude District Municipality in the northern KwaZulu Natal. It is a rural municipality initiated in the year 2000 when the third sphere of government was established. It is one of the transfrontier municipalities as it borders Mozambique and stretches to the Greater ST. Lucia Wetland Park. One of the highlights about our municipality is that it has been marked as the Presidential nodal point which means it is very underprivileged. Although this might seem as a huge disadvantage but our municipality is growing from strength to strength every year.

Umhlabuyalingana is demarcated into 13 wards which in all covers the land area of about 3.698 square kilometers which is 29 percent of the Umkhanyakude land area. The population of Umhlabuyalingana is estimated at about 140,964 which is about 25 percent of the Umkhanyakude population as per the results by Census 2001. It is a largely rural area and is characterized by informal settlements, as the unemployment level is very high.

One of the factors that challenges the municipality is that a large number of people are illiterate which affects the employment opportunities and also affects

the level of economy and therefore poverty levels becomes high. Almost 54% is uneducated and those few that are educated only 10% is employed and a large number of our population is economically inactive which means they live dependently on government grants. Such high levels of unemployment are indicative of a poor absorption capacity of the local economy.

POLITICAL AND MANAGEMENT STRUCTURE

As a government structure we have two structures of management/leadership, the political side elected by the community and the administration management. Our political structure consists of 26 councillors. The administration management consists of six departments, Management Services Department, Corporate Services Department, Department of Local Economic Development, Community Services Department, Finance Department and Technical Services Department.

These two structures work co-operatively in the municipality with the same vision of improving lives of the people of Umhlabuyalingana. The 13 Wards in our Municipality are leaded as follows:

Ward 1	:	Cllr PM Ngubane
Ward 2	:	Cllr DA Ncube – Honourable Mayor
Ward 3	:	Cllr MJ Zikhali
Ward 4	:	Cllr W Mbonambi
Ward 5	:	Cllr T Mthembu – Deputy Mayor
Ward 6	:	Cllr LM Nhleko
Ward 7	:	Cllr KS Gumede
Ward 8	:	Cllr DP Khumalo
Ward 9	:	Cllr MV Mahamba
Ward 10	:	Cllr MC Ngubane
Ward 11	:	Cllr TS Mkhombo
Ward 12	:	Cllr NS Mthembu
Ward 13	:	Cllr SI Mabika

The municipality also got 13 PR Councillors, they are as follows:

- Cllr SI Mkhumbuzi
- Cllr MN Nxumalo
- Cllr TC Nxumalo
- Cllr MS Mnguni
- Cllr NR Mthethwa
- Cllr SH Nxumalo
- Cllr WT Dladla
- Cllr MW Nxumalo
- Cllr LE Ngubane
- Cllr SP Mthethwa

- Cllr MJ Mthiyane
- Cllr MS Mabika
- Cllr FG Mlambo

MUNICIPAL VISION AND MISSION

VISION

We want to see ourselves as the most democratic and developmental municipality in South Africa that will enhance socio-economic growth for all people.

MUNICIPAL DEVELOPMENTAL VISION

The vision underpins an integrated approach to improving the standard of living of all people in the area of Umhlabuyalingana area. In order to achieve this vision, the municipality will have to persist functioning in an accountable and financial sound manner.

MISSION

"To create an enabling environment and sustainable development which promotes equality and, freedom, poverty reduction and quality of life for our communities.



MAYOR
CLLR D.A. NCUBE

UMHLABUYALINGANA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS **for the year ended 30 June 2008**

FOREWORD BY THE HONORABLE MAYOR

Just from very difficult year in terms of financial challenges I am pleased to report that the municipality is showing a recovery from the past year reported accumulated deficit which is evidenced by reporting a comeback operating surplus of R 2 093 635 from operating deficit of R8 690 415 ,however we will endeavor for further decrease of this deficit during the preceding financial year.

The budget for the 2008/2009 financial year has been submitted to the National Treasury for approval.

The emphasis will now remain on maintaining sound financial controls to ensure that spending is properly managed.

My thanks go the Municipal Manager and his staff and my fellow councilors and various committees for the hard work and cooperation during the year and the atmosphere in which I have been able to perform my duties.

I believe that with the dedication of everyone at council our work will go a long way to achieving needs of the communities within our Municipal boundary.

THE HONORABLE MAYOR
Clir D A NCUBE



Municipal Manager
Rev. S.E. Mangele

FOREWORD BY THE MUNICIPAL MANAGER

We are pleased to present 2007/ 2008 Annual Report of Umhlabuyalingana Local Municipality (U.L.M). This annual report gives an account of how Umhlabuyalingana Local Municipality has performed in relation to the developmental target it had itself as informed by its mandates and services delivery needs of the citizens of Umhlabuyalingana. This report is prepared in accordance with the Municipality Financial Management Act (MFMA). In preparing this report, we have focused on ULM's strategic goals, as committed to in our IDP, and describe our performance towards the achievement of our identified priorities. Our priorities were drawn from communications with our Councilors and the employees of the Municipality.

Our Council and Officials have shown themselves ready to meet our citizens expectations for improved service delivery and are responding with imaginative and innovation solutions.

Through this report, we place ourselves at and welcome your judgment. We commit to an even greater focus on listening to and learning from you, the citizens and owners of this Municipality. In so doing, we will continue to raise our performance and service delivery to the levels required to meet all our citizens needs and expectations. Let us move forward , with the objective of building a better future for all , as our guiding principles.

Municipal Manager

Rev S.E. Manqele

**REPORTS OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVISIONAL
LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE
INFORMATION OF UMHLABUYALINGANA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE
2008.**

REPORT OF THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Umhlabuyalingana Municipality which comprises the balance sheet as at 30 June 2008, income statement, cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes as set out on pages [xx] to [xx].

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note and in the manner required by the Local Government Municipal Management Act, 2003 (Act No.56 of 2003) (MFMA), and the Division of Revenue Act, 2007 (Act No. 1 of 2007 (DoRA)). This responsibility includes:
 - Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - Selecting and applying appropriate accounting policies
 - Making accounting estimates that are reasonable in the circumstances

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No 25 of 2004) (PAA), my responsibility is to express in opinion on these financial statements based on my audit.
4. I conducted my audit on accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error in making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - Appropriateness of accounting policies used
 - Reasonableness of accounting estimates made by management
 - Overall presentation of the financial statements
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

Basis of accounting

8. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.

Basis for qualified opinion

Debtors

9. The financial statements reflect a Value Added Tax (VAT) receivable amount of R5 220 268 in Note 7. This receivable represents claims for VAT refunds in respect of a number of VAT periods including R3 836 301 relating to prior years. The municipality is currently undergoing a VAT audit by South African Revenue Services (SARS). Since we have not been provided with apportionment confirmation of the claim receivable, the claim of R3 836 301 relating to prior year is considered to be irrecoverable and has been recorded on the schedule of unrecorded audit differences.

As a result VAT debtors are overstated and expenditure understated by R3 836 301.

Creditors

10. The amount in respect of Pay As You Earn (PAYE) due for the year to June 2008 reflected on the statement from SARS was R1 342 407. This excludes penalties and interest of R127 780 and R94243 respectively not raised and recorded in the books of the municipality. The municipality paid R504 060 of this liability. However, the outstanding PAYE liability was recorded in the financial statements as R702 836 which is understated by R135 511 (R361 534 including penalties and interest).

As a result creditors are understated and expenditure overstated by R135 511 (R361 534 including interest and penalties).

Qualified opinion

11. In my opinion, except of the matters described in the basis for qualified opinion paragraphs the financial statements of the Umhlabuyalingana Municipality as at 30 June 2008 and his financial performance and cash flows for the year then ended have been prepared, in all material respects, in all accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA and DORA.

Emphasis of matters

I draw attention to the following matters:

Going concern

12. With regards to concomitant assets, Umhlabuyalingana Municipality had an accumulated operating deficit of R8 916 893 at 30 June 2008 and as at that date the entity had a cash overdraft per the financial statements amounted to R13 087 222. Consequently, there is a shortfall of R142 970 in the financing of the funds, reserves, creditors and provisions.

In addition, the municipality is unable to meet all its daily current creditor commitments and payments. This is due to the erosion of its capital base over the last two years and resulting in creditors being financed through short-term overdraft.

Unauthorized expenditure

13. The municipality incurred unauthorized expenditure of R2,5 million, being conditional capital grant funding utilized for operating expenditure. The unauthorized expenditure is in terms of section 1 of the MFMA – Definitions (Unauthorized expenditure (f) – a grant by the municipality otherwise than in accordance with this Act).
14. Unauthorized expenditure of R555 498 was incurred, being over-expenditure of repairs and maintenance and leave encashment budgets. The over-expenditure was not taken to council for ratification as required by section 29(3) of the MFMA. This is in terms of section 1 of the MFMA – Definitions (Unauthorized expenditure – overspending of the total amount appropriate for a vote in the approved budget).

OTHER MATTERS

I draw to the following matters that relate to my responsibilities in the audit of the financial statements

Internal controls

15. Section 62 (1)(c)(1) of the MFMA states the accounting officer must ensure that the municipality has an maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the efficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorized according to the five components of an effective system of internal control. In certain instances deficiencies exist more than one internal control component.

Reporting item	Control environment	Risks Assessment	Control activities	Information and communication	Monitoring
Debtors					
Creditors					

Control environment: establish the foundation for the internal control system by providing fundamental discipline and structure for financial reporting

Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

Control activities: policies, procedures and practices that ensures that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.

Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process, or the application of independent methodologies like customized procedures standard checklist, by employees within a process

Non-compliance with applicable legislation

Municipal Finance Management Act

16. In accordance with Section 29 (3) of the MFMA No 56 of 2003, an adjustment budget was not passed within 60 days after the incurring of unauthorized expenditure, in order for the council to ratify the expenditure.
17. MFMA circular no 34: section 1 was not adhered to, as contracts awarded in excess of R100 000 were not reported to National Treasury as required.

Division of Revenue

18 In accordance with section 71 of the DORA for the period June 2008, the accounting officer of the municipality did not submit to national treasury, the electronic or signed returns on its conditional grant spending in terms of section 31(2)

Supply chain management

19 In accordance with section 12(1) (a) the municipality did not follow the required range of supply chain management (SCM) processes to include tenders, quotations, auctions, and other types of competitive bidding.

Matters of governance

20. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows

Matter of governance	Yes	No
• The municipal had an audit committee in operation throughout the financial year	✓	
• The audit committee operates in accordance with approved written terms of reference	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA	✓	
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year	✓	
• The internal audit function operates in terms of an approved internal audit plan.		✓
• The internal audit function substantially fulfilled its responsibilities for the as set out in section 165(2) of the MFMA.		✓
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines (Section 126 of the MFMA)	✓	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report		✓
• The financial statements submitted for audit were not subject to material amendments resulting from the audit		✓
• No significant difficulties were experienced during the audit concerning the delays of the unavailability of expected information and / or the unavailability of senior management		✓
• The prior year's external audit recommendations have been substantially implemented.		✓
Implementation of Standards of Generally Recognized Accounting Practice (GRAP)		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provisional treasury before 30 October 2007		✓
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.		N/A
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provisional treasury before 31 March 2008		✓

Unaudited supplementary schedules

21. The supplementary information set out in appendix A to F does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly do not express an opinion thereon.

OTHER REPORTING RESPONSIBILITIES

REPORT PERFORMANCE INFORMATION

22. I was engaged to review the performance information.

Responsibility of the accounting officer for the performance information

23. In terms sections 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government Municipality Systems Act, 2000 (Act No 32 of 2000) (MFA).

Responsibility of the Auditor-General

24. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008 and section 45 of the Municipal Systems Act No 32 of 2000.
25. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures selected depend on the auditors judgment.
26. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below

Audit findings (performance information)

Non-compliance with regulatory requirements

27. In accordance with section 38 (a) of the MSA, the municipality could not provide a detailed description of the process followed for the municipality established a performance information system that is:
- commensurate with its resources,
 - best suited to its circumstances and
 - in line with the priorities, objectives, indicators and targets contained in its integrated development plan.
28. In accordance with section 38 (c) of the MSA, the municipality could not provide a portfolio of evidence to support the final performance ratings to provide assurance that the municipality administered its affairs in an economical, effective, effective, efficient and accountable manner.
29. No performance information report was presented for an annual audit in terms of section 45(b) of the MSA by the date of my report.

Appreciation

30. The assistance rendered by the Umhlabuyalingana Municipality during the audit is sincerely appreciated.

Pietermaritzburg 28 November 2008

UMHLABUYALINGANA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

GENERAL INFORMATION

Members of the Executive Committee

Mayor : Councilor D. A . Ncube
Deputy Mayor : Councilor T. Mthembu
Councilors (Exco) : TS Mkhombo
: NR Mthethwa
: MS Mabika

GRADING OF LOCAL AUTHORITY

Grade 2

AUDITORS

Auditor General

BANKERS

First National Bank of SA Limited

REGISTER OFFICES

Municipal Offices

Private Bag x 901
KWANGWANASE
3973

Telephone: (035) 5920680

Fax : (035) 5920672

MUNICIPAL MANAGER

Rev. S.E. Manqele

CHIEF FINANCIAL OFFICER

Mr. M.M. Zungu,

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 1 to 22 were approved by the Municipal manager on the 31 August 2008.

MUNICIPAL MANAGER

Rev. S.E. Manqele

CHIEF FINANCIAL OFFICER

M.M. Zungu

UMHLABUYALINGANA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS **for the year ended 30 June 2008**

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

- 1.1 The financial statement have been prepared in accordance with the historical cost so as to conform to the standards laid down by the Institute of Municipal Officers in its Code of Accounting practice (1997) and Report on Published Annual Financial Statements (second Edition January 1996)
- 1.2 The financial statements are prepared on a historical cost basis adjusted for fixed assets as fully detailed in accounting policy note 3. The accounting policies are consistent with those applied in the previous years except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as follows:-
- * Income is accrued when measurable and available to finance activities.
 - * Expenditure is accrued in the year in which it is incurred.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. CONSOLIDATION

The balance sheet includes general services, Capital Development Fund, Reserves and Provisions

5. FIXED ASSETS

Fixed Assets are stated at their historical cost while they are in existence and fit for use..

5.1 DEPRECIATION

The balance shown against the heading Loans Redeemed and other Capital Receipt in notes to financial statement is tantamount to a provision of depreciation , how ever certain structural differences exist.

Asset may be acquired through:

*Appropriations from income where the full cost of the assets form an immediate and direct charge against operating income, therefore It is unnecessary to make any further provision for depreciation.

*Grants or donations, where the amount representing the value of such grant or donation is immediately credited to the loans redeemed and other capital receipts account.

UMHLABUYALINGANA MUNICIPALITY

ANNUAL FINANCIAL STATEMENT FOR THE ENDED 30 JUNE 2008

ACCOUNTING POLICIES CONTINUED

6. FUNDS AND RESERVES

6.1 CAPITAL DEVELOPMENT FUND

The Local Authorities Ordinances requires a minimum contribution of 3% of the defined income of the municipality for the immediately preceding financial year to be contributed to this fund.

- 6.2 Unexpended grants received both conditional and unconditional, are transferred from income statement to reserves. The grants are released from reserves to the income statement when they have been expended.

7. INVESTMENTS

7.1 Financial Instruments

Financial instruments, which includes short term deposits invested in registered commercial banks are stated at cost.

Surplus funds are invested at a low risk Banks. Interest earned is credited to operating income and to the Capital Development Fund.

8. INCOME RECOGNITION

The municipality relies on grants received from National, Provincial government and District Municipality and other income to finance its operations. No rates or service charges are levied. Grants are credited to the income statement to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

9. PROVISIONS

provisions are recognised when the municipality has a present or constructive obligation as a results of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate

9.1 STAFF LEAVE ENCASHMENT

The provision is based on actual leave owing to staff members at the Balance Sheet date.

9.2 AUDIT FEES

The provision is calculated at 1% of the current and capital expenditure of the current financial year excluding capital expenditure funded from conditional grants.

Refer Local Government Audit Circular No. 1 of 2000.

9.3 DOUBTFUL DEBT

The provision is based on the assessment of uncertainty with regard to the recoverability of the debt

9.4 PERFORMANCE BONUSES

The provision is based at 15% of the remuneration package of qualifying employees and where bonuses are paid before the date of issue of financial statement the provision is measured at actual bonuses paid.

UMHLABUYALINGANA MUNICIPALITY

BUDGET ANALYSES (ACTUAL VS BUDGET)

	FINAL BUDGET	ACTUALS	R VARIANCE
RECEIPTS	38,969,807	26,709,266	(12,260,541)
GRANTS AND SUBSIDIES	31,699,400	16,841,038	(14,858,362)
RESERVES AND SAVINGS	3,230,827	7,435,994	4,205,167
OTHER INCOME	4,039,580	2,432,234	(1,607,346)
EXPENDITURE	37,668,744	16,202,917	21,465,827
COUNCILLOR REMUNERATION	3,336,068	1,544,924	1,791,144
SALARIES, WAGES AND ALLOWANCES	9,603,425	4,997,848	4,605,577
GENERAL EXPENSES	9,706,337	4,164,682	5,541,655
REPAIRS AND MAINTENANCE	732,000	703,476	28,524
CONTRIBUTIONS / RESERVES	94,914	-	94,914
CAPITAL EXPENDITURE	14,196,000	4,791,987	9,404,013
SURPLUS/ (DEFICIT)	1,301,063	10,506,349	

UMHLABUYALINGANA MUNICIPALITY
APPENDIX F
STATISTICAL INFORMATION AS AT 30 JUNE 2008

	2006/2007	Valuation date	2005/2006	Valuation date
General statistics				
Population	140964	2001	140964	2001
Registered voters	59054	2006	48000	2004
Surfacing (km)	3698m2		3698m2	
Valuations				
- Taxable (R'000)	0.00		0.00	
- Non-taxable (R'000)	0.00		0.00	
- Residential (R'000)	0.00		0.00	
- Commercial (R'000)	0.00		0.00	
Valuation date: 1 July 2000				
Assessment rate				
- Basis (per rand)	0.00		0.00	
- Discount: residential	0%		0%	
Number of employees	39.00		34.00	

The above statistical information is as per Statistics South Africa's register for the year 2001

INCOME

BUDGET 2007/2008										
INCOME TYPE	COUNCIL	MANAGER	FINANCE	DEPARTMENTS						
				CORPORATE	TECHNICAL	LIBRARY	COMMUNITY	LED	TOTAL	
GRANTS AND SUBSIDIES		18,463,230	660,000		14,861,000	-	500,000	1,255,323	35,739,553	
OTHER			3,124,000			8,200	10,000		3,142,200	
RESERVES AND SERVICES		-							-	
									-	
									-	
									-	
	-	18,463,230	3,784,000	-	14,861,000	8,200	510,000	1,255,323	39,881,753	

ACTUALS 2007/2008										
INCOME TYPE	COUNCIL	MANAGER	FINANCE	DEPARTMENTS						
				CORPORATE	TECHNICAL	LIBRARY	COMMUNITY	LED	TOTAL	
GRANTS AND SUBSIDIES		20,552,920	509,000		7,552,864	75,900		1,146,513	29,849,226	
OTHER INCOME			144,800			4,600			149,400	
RESERVES AND SERVICES		4,302,100							4,302,100	
									-	
									-	
									-	
									-	
									-	
	-	24,851,230	654,800	-	7,552,864	82,900	-	1,146,513	34,203,561	
OTHER INCOME		19,500,500	2,139,000		7,431,125	(24,700)	510,900	103,810	4,588,192	
RESERVES AND SERVICES		3,399,000	32,800	10,000	48,100	417,000	100,000	8,070	11,802,6	

UMHLABUYALINGANA MUNICIPALITY

ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

EXPENDITURE

BUDGET 2007/2008

EXPENDITURE TYPE	DEPARTMENTS							TOTAL
	COUNCIL	MANAGER	FINANCE	CORPORATE	TECHNICAL	LIBRARY	COMMUNITY	
SALARIES	4,343,082	1,313,870	1,709,888	1,443,986	590,948	481,425	2,025,511	1,040,056
GENERAL EXPENSES	1,060,000	3,942,356	1,665,000	800,000	1,960,000	144,000	996,500	1,827,217
REPAIRS & MAINTENANCE		10,000	20,000		805,000	12,000	-	847,000
CONTRIBUTION - LEAVE		12,000	12,000	12,000	12,345	14,890	19,679	94,914
CAPITAL EXPENDITURE		-	200,000		11,896,000		500,000	12,596,000
CONTRIBUTION - CDF		-					-	-
CONTRIBUTION - RESERVES	5,403,082	5,278,226	3,606,888	2,255,986	15,264,293	652,315	3,541,690	2,879,273
	✓	✓	✓	✓	✓	✓	✓	✓
								38,881,753

ACTUALS 2007/2008

EXPENDITURE TYPE	DEPARTMENT							TOTAL
	COUNCIL	MANAGER	FINANCE	CORPORATE	TECHNICAL	LIBRARY	COMMUNITY	
SALARIES	3,962,628	1,195,435	1,591,486	1,302,484	604,324	438,964	1,513,698	1,130,617
GENERAL EXPENSES	807,845	3,060,402	1,460,019	654,983	318,995	105,571	1,048,065	893,581
REPAIRS & MAINTENANCE		7,188	6,940		837,774			851,902
LEAVE ENCASHMENT		61,485	88,541	83,176	29,748	34,327	66,553	445,438
CAPITAL EXPENDITURE		6,223	37,464		6,183,802			6,227,489
CONTRIBUTION - CDF		530,054						530,054
CONTRIBUTION - RESERVES	-	4,055,946						4,055,946
	4,770,473	8,916,733	3,184,450	2,040,643	7,974,643	578,862	2,628,316	2,105,806
Under/(over) Spending	632,609	(3,638,507)	422,438	215,343	7,289,650	73,453	913,374	773,467
Overall under/(over) Spending	11.71%	-68.93%	11.71%	9.55%	47.76%	11.26%	25.79%	26.86%
								6,681,827
								32,199,926
								17.18%

UMHLABUYALINGANA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS **for the year ended 30 June 2008**

CHIEF FINANCIAL OFFICER'S REPORT

BACKGROUND

Umhlalbuyalingana Municipality is a grade two municipality within the Umkhanyakude District Municipality. It covers four traditional authorities; namely Tembe, Mashabane, Mabaso and Mbila. The Municipality has been in existence for six and half years and has 13 wards with 26 councillors. The Municipal area is mainly rural.

CHALLENGES

The municipality has been under extremely challenging conditions. It has to address challenges of Infrastructure, Tourism, Local economic development, poverty, Drought, GRAP implementation and getting other sources of revenue.

1. OPERATING RESULTS

Details of operating results per department are included in appendices D and E. The applicable statistics are shown in appendix F. For overall operating results for the year ended 30 June 2007 are as follows:

	ACTUALS 2007	ACTUAL 2008	VARIANCE 2007/2008	BUDGET 2008	VARIANCE % ACTUALS /BUDGET
INCOME					
Opening surplus	-	-		-	
Operating income for the year	44,843,623	34,293,561	-23.53%	39,031,753	-12.14%
Closing deficit	11,542,899	9,182,845	-20.45%	-	
	56,386,522	43,476,406		39,031,753	
EXPENDITURE					
Opening deficit	3,011,369	11,542,899	283.31%	-	
Operating expenditure for the year	53,534,038	32,199,926	-39.85%	38,881,753	-17.18%
Sundry transfers	(158,885)	266,420	-267.68%		
Closing surplus		-			
	56,386,522	44,009,245			

The capital expenditure on fixed assets during the year amounted to R 6 227 489 which is 53% less than the previous year. The actual expenditure is 46.11% less than budgeted for and consist of the following:

	2008 ACTUALS	2008 BUDGET	2007 ACTUALS	VARIANCE
Land and Buildings	1,126,600	7,396,000	2,180,361	-48.33%
Infrastructure	5,057,202	5,000,000	11,717,540	-56.84%
Other fixed assets	43,687	400,000	808,563	-94.60%
	6,227,489	12,796,000	14,706,464	-57.65%

UMHLABUYALINGANA MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS**
for the year ended 30 June 2008**CHIEF FINANCIAL OFFICER'S REPORT Continued.**

Resources used to finance the fixed assets were as follows:-

	2008 ACTUALS	2008 BUDGET	2007 ACTUALS
Capital development fund	-	-	-
Contribution from:			
Operating account	43,687	200,000	-
Reserves	-		
Grants and Subsidies	21,221,859	12,396,000	14,706,464
	21,265,546	12,596,000	14,706,464

A complete analyses of capital expenditure (budgeted and actuals) is included in appendix C

3. FUNDS AND RESERVES

More information regarding funds and reserves are disclosed in note 2 and appendix A to the Annual Financial Statements.

4. EXTERNAL LOANS, INVESTMENTS AND CASH

The municipality's financial structure is currently grants and subsidies, no external loans have been secured. Investments and cash at 30 June 2008 amounted to R24 738.59 and an overdraft of R 1 086 044.03, respectively; (R 548 485 in 2007)

5. EXPRESSION OF APPRECIATION

I would like to thank the mayor, councilors, management committee for the support they have given me and to the officials of the municipality and in particular to the staff of my own directorate for their assistance and support during the entire year.

MM ZUNGU
CHIEF FINANCIAL OFFICER
31 August 2008

UMHLABUYALINGANA LOCAL MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ Deficit R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
44,843,623	53,534,038	(8,690,415)	RATES AND GENERAL SERVICES	34,293,561	32,199,926	2,093,635
44,843,623	53,534,038	(8,690,415)	Community services	34,293,561	32,199,926	2,093,635
-	-	-	Subsidised services	-	-	-
-	-	-	Economic services	-	-	-
-	-	-	TRADING SERVICES	-	-	-
44,843,623	53,534,038	(8,690,415)	TOTAL	34,293,561	32,199,926	2,093,635
		158,885	Appropriations for the year			266,420
		(8,531,530)	Net Surplus/(Deficit) for the year			2,360,054
		(3,011,369)	Accumulated Surplus/(Deficit) beginning of the year			(11,542,899)
		<u>(11,542,899)</u>	ACCUMULATED SURPLUS/(DEFICIT) AT THE END OF THE YEAR			<u>(9,182,845)</u>

UMHLABUYALINGANA MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	2007/2008 R	2006/2007 R
CASH RETAINED FROM OPERATING ACTIVITIES		
	19,661,312	7,229,752
Cash generated by operations	14 (6,014,222)	(32,867,721)
Investment income	118,318	29,542
(Increase)/Decrease in working capital	15 (4,283,709)	4,559,055
Less: External interest paid	-	-
Cash available from operations	(10,179,613)	(28,279,124)
Contribution from public and state	29,840,926	35,508,876
Net proceeds on sale of fixed assets	-	-
CASH UTILIZED IN INVESTING ACTIVITIES		
	(21,265,546)	(14,706,464)
Investment in Fixed assets	4 (21,265,546)	(14,706,464)
NET CASH INFLOW / (OUTFLOW)	(1,604,234)	(7,476,712)
CASH EFFECTS OF FINANCIAL ACTIVITIES		
(Increase) / Decrease in cash investments	11,497	(6,554,190)
(Increase) / Decrease in cash	17 (1,615,731)	(981,605)
NET CASH (GENERATED)/ UTILISED	(1,604,234)	(7,535,795)